

CORPORATE TREASURY
ELIZABETH SCHAFER
ASSISTANT TREASURER, BANK RELATIONS



January 23, 2006

Dear State Banking Commissioner:

During the past year, the United States Postal Service (USPS) has faced the challenge of a growing number of fraudulent money orders being presented to financial institutions. In response, the USPS has launched a positive pay solution, which enables financial institutions to verify US Postal Service money orders.

The positive pay system is being implemented in two phases. The first, which is now available, is an Interactive Voice Response (IVR) phone system. Detailed information on using the IVR system is attached. The second phase, which will soon be available, allows batch computer lookups to verify more than twenty money orders at one time. We will provide more information on the second phase as it becomes available.

Please continue to check for money order updates on the Internet at: <http://www.usps.com/missingmoneyorders/security.htm>. Additionally, Notice 299, which highlights USPS Money Order security features, may be downloaded from this page.

If you have questions about Postal Money Orders, please call your nearest U.S. Postal Inspection Service Office. Call 1-800-ASK-USPS or visit www.usps.com/postalinspectors to locate your nearest Postal Inspector.

Sincerely,

A handwritten signature in cursive script, appearing to read "E M Schafer".

Elizabeth M. Schafer

Attachment

A handwritten signature in cursive script, appearing to read "M. Schafer".

FEB 3 2006

US POSTAL SERVICE MONEY ORDER POSITIVE PAY INSTRUCTIONS

How do I get started using the system?

Telephone 1-866-459-7822 (Domestic US & Canadian calls only).

What do I need to have ready to use the system?

- Money Order serial number (11 digits)
- Money Order dollar amount (1-6 digits)
- Money Order Post Office ID (6 digits)

What money orders can be verified through this system?

Domestic US Postal Service money orders issued at least 48 hours ago, and not older than 90 days.

How many money orders can be verified at one time through the IVR system?

Only one money order at a time, but no maximum lookups per call. The system will prompt you to enter additional money order lookups.

What possible responses can be received from the system?

- Verification that the money order was issued by the Postal Service in the dollar amount entered.
- Response that the money order does not match a money order in our issue database. It could be outside of the two to 90 day timeframe; it could be the wrong combination of serial number and dollar amount, or it could be fraudulent.

If a money order does not match the USPS database, what are the next steps?

1. Double check the numbers, and try again. Check the issue date to make sure it is between the two to 90 day issue timeframe.
2. Check the Security Features of a US Postal Service Money Order.
3. Follow the prompts to speak with a help desk representative for additional verification.
4. Refuse to cash the money order for the customer.
5. If possible, confiscate the money order from the customer and provide them a copy or receipt of the money order. If customer does not wish to relinquish the money order, suggest that they take the money order to the local Postmaster and let them know it could be fraudulent.
6. Call the USPS Inspection Service at 1-800-372-8347 or find your local Inspection Service office at: <http://www.usps.com/ncsc/locators/find-is.html>. You will need to provide the money order details and the customer's contact information to the Inspection Service.